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DEPARTMENT OF DEFENSE
FILE Commo

29 APR 1966

MEMORANDUM FOR: Acting Deputy Director for Support

SUBJECT: Federal Telecommunications System (FTS)

REFERENCE: Memo for D/OL from DD/S, same subject, dated
7 February 1966

1. This memorandum is for information only.
2. In response to your request in reference, attached are the results of our review of developments in subject system and other means of communication referred to by the Bureau of the Budget (BOB). The attached material and the summary in this memorandum have been prepared in consultation with interested Agency components including the Offices of Communications (OC) and Security (OS), and the Records Administration Staff (RAS), as well as the Office of Logistics, Telephone Facilities Branch (OL/TFB).
3. The FTS consists basically at present of a Government network of leased long-distance telephone circuits, teletype circuits, and a message system operated by GSA. CIA is using the telephone and teletype circuitry to a limited degree.

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SUBJECT: Federal Telecommunications System (FTS)

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7. With respect to the BOB report concerning the effectiveness of overall communications, GSA has long contended that more use of long-distance telephone calls and less of written correspondence can result in an overall saving. This Agency's usage of long-distance telephone is very limited because of security and not economy. Due to this limitation, the greatest potential for Agency communications economy appears to be in the area of correspondence. For example, Agency Private Branch Exchange (PBX) telephone toll costs are less than \$145,000 per year. In contrast, the RAS estimates overall inter-office and intraoffice correspondence costs for this Agency to be \$12 million annually. Thus, any change in procedure or practice which reduces the cost per unit of correspondence can bring about vastly greater savings than any similar measure on telephone toll calls such as adoption of FTS. Two significant economy measures in correspondence procedures are the "speed letter" and "self-mailer". The savings realized from just these two innovations amounts to more than \$85,000 annually. It is therefore concluded that a constructive internal objective for this Agency under the broadened concept of total communications management is to promote further economy in correspondence. Such measures should not be aimed at less correspondence, but at a more economical cost per unit for this mode of communication.

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SUBJECT: Federal Telecommunications System (FTS)

8. In spite of its shortcomings, FTS will probably continue to be promoted by GSA as it has in the past since the system offers advantages to some agencies having large volumes of unclassified communications traffic throughout the United States. These advantages are not, however, generally applicable to this Agency and it is recommended that we continue to decline any future GSA offers to integrate Agency communications systems with the FTS.



GEORGE E. MELOON
Director of Logistics

Attachments:

1. FTS Long-distance Telephone Service
2. Developments in Agency Correspondence
3. Form 1831, "Speed Letter", and Form 1709, "Self-mailer"
4. Memo for D/L from D/S, subj: "GSA Operated FTS", dtd 14 April 1966
5. Memo to D/L from D/CO, subj: "FTS", dtd 19 April 1966

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ATTACHMENT 1

FEDERAL TELECOMMUNICATIONS SYSTEM (FTS)
LONG-DISTANCE TELEPHONE SERVICE

1. The Telephone Facilities Branch, Logistics Services Division (TFB/LSD), was consulted on 29 March 1966 for the purpose of obtaining the viewpoint of that component on recent developments in FTS long-distance telephone service. Following is a summary of the opinion and comments received on the FTS service with related information concerning the Agency long-distance telephone system:

a. Quality of Service

(1) The FTS has not been provided with sufficient long-distance telephone facilities and equipment at any time since its inception in 1964 to keep pace with the traffic demands on the system. GSA and the Bureau of the Budget apparently now recognize the fact that these deficiencies are serious enough to require some corrective action. Some additional long-distance circuits, subscriber access trunks, and FTS switching equipment have been provided, but to date, the overloading problem has not been solved. FTS long-distance facilities remain inadequate and there are constant delays in completing calls during normal working hours because of busy circuits. The delays are often lengthy and result in loss of productive man-hours as well as frustration and inconvenience on the part of the individual user. In this respect, GSA would oppose the use of present Agency telephone operators in placing and expediting FTS system calls. Each individual placing a call is required to direct dial into the FTS system and do his own followup with FTS operators until the call is completed.

(2) The use of FTS long-distance service is uncontrolled in that neither GSA nor any using agency can determine which components or individuals within an agency are responsible for initiating long-distance telephone traffic. By contrast, this Agency's long-distance service is completely controlled in this respect. The individual and the component can be readily identified as necessary for security purposes, billing confirmation, and estimating budget requirements. Although similar controls could be

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established in the FTS service with automated equipment, GSA and Bureau of the Budget do not recommend it at this time and FTS will apparently remain primitive for an indefinite period from the standpoint of message identification and accounting equipment.

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(3) Mr. [] studied the FTS when it was established in 1964 and included the following statement in the study concerning the lack of message identification and accounting control equipment: "The FTS will eliminate these existing control features and there will be an illusion that FTS is provided without cost. Such an impression could result in an increase in traffic and more lengthy conversations which in turn would create busy switch and trunk conditions." This prediction is quoted here since it has been proven completely valid by subsequent events. It is now generally recognized by GSA and Bureau of the Budget that the unexpected growth of FTS has been due to the misunderstanding that increased calling could be encouraged without incurring additional expense (see paragraph 4 of attachment to reference). The added long-distance FTS traffic produced by this illusion contributes further to the overloaded condition of FTS circuits and equipment outlined in (1) above. Since GSA and Bureau of the Budget do not plan to install message identification and accounting equipment, FTS will continue to invite imprudent use of long-distance circuits as to persons called, frequency of calls, and length of conversations. GSA and Bureau of the Budget apparently fail to recognize even now that realistic message identification and accounting controls, such as those maintained by this Agency, foster efficient long-distance service rather than inhibit the prudent and economical use of this service.

(4) In summary, the quality of FTS telephone service falls far short of Agency standards at this time and there is no positive indication it will reach the level of Agency standards in the foreseeable future.

b. Cost of Service

(1) Due to the absence of message identification and accounting equipment, billings for FTS long-distance service are based on a formula described vaguely by the Bureau of the Budget as "the results of a sampling of FTS users".

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The Bureau of the Budget admits further that the distribution of charges under the FTS formula "became of necessity an arbitrary assessment". In other words, FTS does not have the capability to apply a definite toll call rate structure. Neither GSA nor the using agency can verify the accuracy of billings or trace the source of sudden fluctuations in total long-distance calls and costs. For example, if this Agency's long-distance telephone costs increased 75 per cent under FTS, no data could be obtained as to whether certain components or individuals were responsible for the increase. Further, such an increase might be an arbitrary assessment on the part of GSA to cover an apportioned share of overall increasing FTS costs.

(2) The major subscribers to FTS service have experienced a 75 per cent increase in long-distance telephone costs since the beginning of FTS. In contrast, Agency Private Branch Exchange (PBX) long-distance costs have increased only 20 per cent during the same period (present average \$12,000 per month - 1964 average \$10,000 per month). The Agency increase is even less than the normal overall growth in telephone costs estimated by the Bureau of the Budget to be 33 per cent.

(3) If the Agency should incur increasing long-distance usage and costs at the same rate as FTS subscribers, additional space must be programmed in the Headquarters Building to house additional telephone equipment. Under FTS rules, the direct costs of the additional equipment and the indirect costs of additional space requirements would be borne by the Agency. The Agency telephone system is now equivalent to that serving a community of 100,000 population. Further rapid expansion of the Agency system, which would undoubtedly be precipitated by subscribing to FTS is not considered economically sound nor justifiable from any other standpoint.

c. Security of Service

(1) The FTS provides direct-dial service between any telephone instruments having direct access to the approximately 200 FTS community terminals throughout the United States. These are referred to in the trade as "on-network" calls and the assistance of an operator is normally not required to complete these calls. The assistance of an FTS operator is required, however, for calls to and from:

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- (a) Any community which is not connected with an FTS terminal.
- (b) Any non-Government instrument.

To complete these calls, the caller must furnish the called number and identify himself to the FTS operator as follows: "Name, Agency, City and Telephone number from which you are calling". Eighty per cent of Agency long-distance calls fall in this latter off-network category. The FTS identification requirements for such calls are not compatible with Agency security measures.

(2) Due to the congested traffic conditions on the FTS system, many agencies are resorting to commercial toll networks for better service. This is, of course, contrary to FTS policy, and GSA and the General Accounting Office are auditing the records of commercial toll calls completed by FTS subscribers. Under the present Agency system, records of commercial toll calls are not disclosed, unless the Agency agrees to such disclosure. Pressure would be exerted to scrutinize Agency records of commercial toll calls if the Agency subscribed to FTS service. GSA and GAO rely on such inspection to assure that subscribers are using FTS to the maximum extent possible. External audits, inspections, and surveys of Agency commercial toll call records would not be compatible with Agency security measures.

(4) The nature of much Agency activity is such that it is necessary to protect the identity of the caller and the called party, and to withhold the release of records of such calls. Assuming that the problems surrounding the quality and cost of FTS service will eventually be solved, the security obligations of this Agency will continue to preclude participation in the FTS long-distance telephone service, except in those individual cases where security and cover would be preserved by such participation.

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2. In summary, participation in FTS would represent foremost a hazard to the security of Agency long-distance telephone calls. It is a double-edged sword in this respect and vigilance should be exercised to avoid entrapment. There are, at present, security hazards inherent in the use of FTS long-distance facilities as well as substandard service, indefinite rates per call, and drastic increases in overall costs to users which require the disassociation of this Agency with the FTS at this time. The other edge of the sword may become even more hazardous to Agency security in the future. FTS, including GSA, GAO and other Federal entities interested in communications, will be in a position to inspect an accounting and identity record of each FTS long-distance call, if the system is updated with automated message identification and accounting equipment. This is considered a likely future development in order to overcome user dissatisfaction with inequitable billings and unstable costs. If this occurs, Agency association with FTS long-distance service would become even less tolerable from a security standpoint than at present.

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ATTACHMENT 2

DEVELOPMENTS IN AGENCY CORRESPONDENCE COMMUNICATIONS

1. The Records Administration Staff was consulted on 4 April 1966 concerning overall Agency policy on correspondence. Specific information was requested on any new concepts accomplished or planned which would contribute to a reduction in the cost of correspondence as related to the broad concept of communications referred to by the Bureau of the Budget. Following is a summary of the information obtained on this subject:

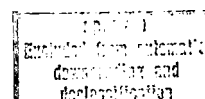
a. Correspondence Volume and Cost

Approximately 8,000,000 pieces of interoffice and intra-office correspondence are prepared annually at an estimated total cost of \$12,000,000. There are no figures available which separate the volume and cost of domestic correspondence from the overall total. Based on the above overall volume/cost figures, however, the average cost of each piece of correspondence is \$1.50. Using this figure as a basis for comparison, the average cost of each piece of correspondence is approximately \$1.00 less than the average \$2.51 cost of the domestic long-distance telephone call.

b. New Developments in Correspondence and Savings Potential

The Records Administration Staff is constantly striving to improve correspondence efficiency and economy. Any improvement which will expedite the preparation and transmission of correspondence can, in turn, help to reduce or stabilize the volume and cost of Agency telephone calls. An outstanding example is the relatively new development of "speed letters" and "self-mailer letters". These letters are now being used in lieu of traditional correspondence at the rate of more than 65,000 per year. The cost of these letters is about 15 cents each. They reduce preparation time and tend to reduce telephone toll calls when a crucial deadline is not involved. The savings realized from these two new concepts in correspondence compared to traditional types of correspondence amounts to more than \$85,000 annually. It appears that there is great potential for further Agency efficiency and economy in this area due to the substantial volume and cost of this mode of communication.

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c. Relationship of FTS to Agency Correspondence Volume

It is the opinion of the Staff that Agency participation in FTS would actually do little in reducing the volume of correspondence and, therefore, would not result in any material savings to the Agency.

2. It is concluded that an aggressive Agency-wide program aimed toward simplifying correspondence procedures and practices can do much to reduce total Agency communications costs.

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(When Filled In)

SPEED LETTER

REPLY REQUESTED

DATE

YES

NO

LETTER NO.

TO :

FROM:

ATTN:

SIGNATURE

REPLY

DATE

SIGNATURE

RESPONDER'S FILE

SECRET

SECRET

(When Filled In)

SPEED LETTER

REPLY REQUESTED

DATE

YES

NO

LETTER NO.

TO :

FROM:

ATTN:

SIGNATURE

REPLY

DATE

SIGNATURE

RESPONDER'S FILE

SECRET

SECRET
(When Filled In)

SPEED LETTER		REPLY REQUESTED		DATE	
		YES	NO	LETTER NO.	
TO : ATTN:		FROM:			
SIGNATURE _____					
REPLY				DATE	
SIGNATURE _____					

CENTRAL INTELLIGENCE AGENCY
Washington, D.C. 20505

Date _____
Order/Contract No. _____
Reference _____

FROM: Chief, Support and Control Staff
Procurement Division

PLEASE READ CAREFULLY

1. ☐ ACCORDING TO OUR RECORDS, ITEM(S) _____ COVERED BY THE ABOVE ORDER/
CONTRACT (HAS) (HAVE) NOT BEEN RECEIVED AND DELIVERY WAS DUE ON _____.
PLEASE ADVISE ON REVERSE OF THIS LETTER.
2. ☐ MATERIAL AS SPECIFIED IN "REMARKS" BELOW HAS BEEN RECEIVED BUT IS UNACCEPTABLE FOR THE REA-
SONS STATED. PLEASE REPLACE AT ONCE. PLEASE FURNISH IMMEDIATE INSTRUCTIONS FOR RETURN OF
UNACCEPTABLE MATERIAL ON REVERSE OF THIS LETTER. IF INSTRUCTIONS ARE NOT RECEIVED WITHIN
15 DAYS OF DATE OF THIS LETTER, THE MATERIAL WILL BE ☐ DISPOSED OF WITHOUT FURTHER NOTICE.
☐ RETURNED TO YOU ON A COLLECT BASIS.
3. ☐ MATERIAL AS SPECIFIED IN "REMARKS" HAS BEEN RECEIVED BUT IS OVER THE QUANTITY ORDERED AND IS
NOT ACCEPTABLE. PLEASE FURNISH IMMEDIATE INSTRUCTIONS FOR RETURN OF UNACCEPTABLE MATERIAL
ON REVERSE OF THIS LETTER. IF INSTRUCTIONS ARE NOT RECEIVED WITHIN 15 DAYS OF DATE OF THIS
LETTER, THE MATERIAL WILL BE ☐ DISPOSED OF WITHOUT FURTHER NOTICE.
☐ RETURNED TO YOU ON A COLLECT BASIS.
4. ☐ ITEMS OF THE ABOVE PURCHASE ORDER AS SPECIFIED IN "REMARKS" ARE UNDER THE QUANTITY ORDERED
AND THE ENTIRE QUANTITY ORDERED IS REQUIRED. PLEASE ADVISE ON THE REVERSE OF THIS LETTER
WHEN WE MAY EXPECT DELIVERY.
5. ☐

REMARKS:

QUANTITY ORDERED _____
QUANTITY RECEIVED _____
QUANTITY REJECTED _____
REJECTED MATERIAL VALUE \$ _____

CENTRAL INTELLIGENCE AGENCY
Washington, D.C. 20505

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Order/Contract No. _____
Reference _____

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REMARKS:

QUANTITY ORDERED _____
QUANTITY RECEIVED _____
QUANTITY REJECTED _____
REJECTED MATERIAL VALUE \$ _____

CENTRAL INTELLIGENCE AGENCY
Washington, D.C. 20505

Date _____
Order/Contract No. _____
Reference _____

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Procurement Division

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5. ☐

REMARKS:

QUANTITY ORDERED _____
QUANTITY RECEIVED _____
QUANTITY REJECTED _____
REJECTED MATERIAL VALUE \$ _____

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16 APR 1966

MEMORANDUM FOR: Director of Logistics

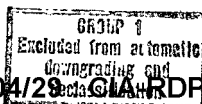
SUBJECT : General Services Administration Operated
Federal Telecommunications System

1. This Office has been advised that the Office of Logistics, Planning Staff, anticipates briefing the Deputy Director for Support concerning the current position of this Agency with regard to our participation in the Federal Telecommunications System.

2. By memorandum for the Acting Deputy Director for Support from the Director of Logistics, dated 1 May 1964, objections have been specified and a recommendation made that we decline GSA's invitation to participate in the FTS. At that time, the Office of Security concurred in this recommendation for security reasons predicated upon the limitations under the National Security Act of 1947 and the Central Intelligence Agency Act of 1949 relating to the DCI's responsibility for "protection of intelligence sources and methods from unauthorized disclosure". Since the limitations of these enactments still pertain, the current position of this Office would be to recommend against participation in the Federal Telecommunications System.

Howard J. Osborn
Director of Security

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UNITED STATES GOVERNMENT

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Memorandum

00-4534
DATE: 19 APR 1966

TO : Director of Logistics

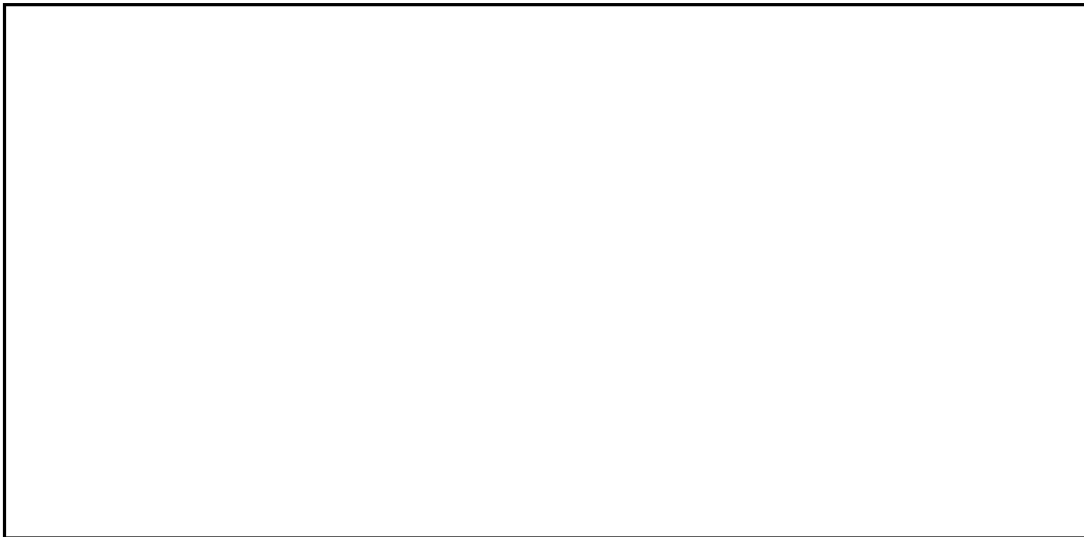
FROM : Director of Communications

SUBJECT: Federal Telecommunications System

REF : DDS Memorandum 66-0689, dated 7 February 1966

1. We suggest that the substance of the following be incorporated in the response to the reference concerning the Office of Communications' usage of the FTS teletype circuit and teletype message service.

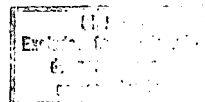
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2. Attached is an extract of the U.S. Code Citation which GSA uses as their authority for operating the FTS to provide message service and the procurement of teletype circuits.



Attachment:
Extract of U. S. Code



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40 USC § 295. Operation of public utility communications services serving governmental activities.

The Administrator of General Services is authorized to provide and operate public utility communications services serving one or more governmental activities, in and outside the District of Columbia, where it is found that such services are economical and in the interest of the Government. This section does not apply to communications systems for handling messages of a confidential or secret nature, or to the operation of cryptographic equipment or transmission of secret, security, or coded messages, or to buildings operated or occupied by the Post Office Department, except upon request of the department of agency concerned.

In 1949 Congress passed the Federal Property and Administrative Services Act of 1949 which established the General Services Administration and gave to it broad procurement authorities to exercise on behalf of the entire Government. It is provided in that Act that nothing in the Act shall impair or affect any authority of the CIA among many other listed agencies. The Code citation to the exemption for CIA is 40 USC 474.